

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. 03-_____
	:	
	:	
v.	:	DATE FILED: April 22, 2003
	:	
	:	
DAVID N. GORDON	:	VIOLATIONS: 18 U.S.C. § 1341 (Mail fraud - 10 counts) 18 U.S.C. § 2 (Aiding and abetting)

INDICTMENT

COUNTS ONE THROUGH TEN

THE GRAND JURY CHARGES THAT:

At all times material to this Indictment:

1. Defendant DAVID N. GORDON was the president and sole shareholder of Zenith Paper Products Corporation (“Zenith”), a supplier of paper products incorporated in the Commonwealth of Pennsylvania.
2. Zenith Paper Products Corporation maintained an office and had a place of business at Ridge and Lehigh Avenues in Philadelphia, Pennsylvania.
3. Philadelphia Factors, Inc. was a factoring company that maintained an office and a place of business at 6 South Bryn Mawr Avenue, Bryn Mawr, Pennsylvania. Philadelphia Factors, Inc.’s function was to purchase from companies accounts receivable at a discount. Accounts receivable are money owed by customers for goods and services sold as part of the normal operations of a business, usually collectable within a year.

4. On or about October 16, 1997, Zenith and Philadelphia Factors, Inc. entered into an "Accounts Receivable Agreement" and a "Collection Factoring Agreement" (the agreements"). Pursuant to the terms of the agreements, Zenith agreed to sell and Philadelphia Factors, Inc. agreed to purchase certain of the accounts receivable of Zenith.

5. In order to effectuate the terms of the agreements, that is, for Philadelphia Factors, Inc. to purchase Zenith's accounts receivable, Zenith was required to forward to Philadelphia Factors, Inc. an "Accounts Receivable Assignment," containing a list of the accounts that Zenith wished to sell to Philadelphia Factors, Inc., along with the original invoices, bills of lading and other documentary evidence of the sale, shipment and delivery of the orders. Zenith was also required to forward to Philadelphia Factors, Inc. an executed "Receivables Assignment," containing a representation that these documents described above were true copies of the contracts, agreements and other instruments required to be provided.

6. Pursuant to the terms of the agreements, Philadelphia Factors, Inc. was obligated, after it received the documents described above in paragraph 5, to pay Zenith by bank check or wire transfer a down payment of 80% of the value of the invoices received by them from Zenith. Once Philadelphia Factors, Inc. received collections on the purchased accounts equal to the repayment amount, Philadelphia Factors, Inc. was then obligated to pay Zenith any remaining collections Philadelphia Factors, Inc. received on the purchased accounts after adjustments including set-offs, collection costs and other credits due Philadelphia Factors, Inc.

7. Between in or about October 1997 and at least in or about May 1998, defendant DAVID N. GORDON defrauded Philadelphia Factors, Inc. of approximately \$250,000 by submitting and causing to be submitted, for the purpose of receiving payment from Philadelphia Factors, Inc., fictitious invoices and fictitious shipment and delivery documents.

THE SCHEME

8. From in or about October 1997, through in or about May 1998, in the Eastern District of Pennsylvania, defendant

DAVID N. GORDON

devised and intended to devise a scheme to defraud Philadelphia Factors, Inc. and to obtain money and property by means of false and fraudulent pretenses, representations and promises.

It was part of the scheme to defraud that:

9. Defendant DAVID N. GORDON submitted “Accounts Receivable Assignments” to Philadelphia Factors, Inc. containing fictitious accounts receivable invoices and amounts purportedly due to Zenith from various companies.

10. Defendant DAVID N. GORDON submitted “Receivables Assignments” to Philadelphia Factors, Inc. which falsely represented that the documents pertaining to the accounts receivable were true and accurate.

11. Defendant DAVID N. GORDON caused Zenith’s customers to make false and fraudulent representations and verifications to Philadelphia Factors, Inc. regarding the status of orders and deliveries of the orders.

12. On or about each of the dates set forth below, in the Eastern District of Pennsylvania, having devised and intending to devise the scheme, defendant

DAVID N. GORDON

for the purpose of executing this scheme and attempting to do so, knowingly caused to be delivered documents by the United States Mail and Federal Express, a commercial interstate carrier, according to the directions on the envelope, the following accounts receivable from

Zenith in Philadelphia, Pennsylvania, to Philadelphia Factors, Inc. (PFI) in Bryn Mawr,

Pennsylvania:

<u>COUNT</u>	<u>MAILING DATE OF ACCTS. RECEIVE- ABLE BY ZENITH</u>	<u>FICTITIOUS ACCOUNT DEBTOR</u>	<u>FICTITIOUS INVOICE NUMBER</u>	<u>FICTITIOUS INVOICE AMOUNT</u>	<u>80% OF INVOICE AMOUNT PAID BY PFI</u>
1	April 22, 1998	Curry Graphics Smith Sign Co. Dillard's	38594 38595 38596	\$845 \$5120 \$5468.50	\$676 Not paid \$4374.80
2	April 23, 1998	Commander Brd. Albright Dillard's	38597 38598 38599	\$490 \$817.60 \$5400	Not paid \$654.08 \$4320
3	April 27, 1998	Fulton Sign & Decal Dillard's	38600 38601	\$885 \$7200	Not paid \$5760
4	April 28, 1998	Desantis Prompt Sign Co.	38554 38603	\$2280 \$2385	\$1824 \$1908
5	April 30, 1998	Dillard's	38607	\$7200	\$5760
6	May 5, 1998	Dillard's	38608	\$7200	\$5760
7	May 6, 1998	PK Supply Dillard's	38609 38610	\$864 \$11,574.80	\$691.20 \$9259.84
8	May 7, 1998	Dillard's	38611	\$4639.20	\$3711.36
9	May 12, 1998	Printworks Hall's Signs Dillard's	38614 38616 38615	\$968.50 \$850 \$9000	Not paid \$680 \$7200
10	May 19, 1998	Dillard's	38617	\$11,574.80	\$9259.84

All in violation of Title 18, United States Code, Sections 1341 and 2.

A TRUE BILL:

FOREPERSON

PATRICK L. MEEHAN
United States Attorney